

Message Text

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PAGE 01 BONN 10233 251521Z

64

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TO SECSTATE WASHDC 0971

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C O N F I D E N T I A L BONN 10233

E.O. 11652: GDS

TAGS: EEW, GW, PO

SUBJECT: POLISH/FRG ECONOMIC RELATIONS

1. EMBOFF SPOKE WITH CONTACTS IN ECONOMICS AND FOREIGN MINISTRIES REGARDING PRESENT STATUS OF FRG/POLISH ECONOMIC RELATIONS. BOTH ADMIT THAT RELATIONS HAVE BEEN STRAINED IN RECENT MONTHS, WITH FOREIGN MINISTRY CONTACT PUTTING THE BLAME ON BASIC POLITICAL PROBLEMS. SPECIFICALLY, HE BELIEVES THAT THE PENSION/IMMIGRATION QUESTION HAS HAMPERED FURTHER PROGRESS ON THE ECONOMIC FRONT AND IS RESPONSIBLE FOR GERMAN FIRMS LOSING THE LARGE TRACTOR AND CHEMICAL CONTRACTS TO OTHER WESTERN BIDDERS.

2. ECONOMICS MINISTRY AND FOREIGN MINISTRY DIFFER SOMEWHAT ON QUESTION OF COMMERCIAL BANK CREDITS FOR POLAND. THE ECONOMICS MINISTRY, PERHAPS FEELING PRESSURE FROM INDUSTRIAL CONCERNS, BELIEVES THAT CURRENT CREDIT POLICY MAY HAVE TO BE REVISED IF FRG FIRMS CONTINUE TO LOSE LARGE CONTRACTS. THE MFA, HOWEVER, BELIEVES THAT CURRENT POLICY SHOULD REMAIN CONFIDENTIAL

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PAGE 02 BONN 10233 251521Z

IN EFFECT. THE ENTIRE CREDIT QUESTION, HOWEVER, HAS

BECOME CLOUDED WITH REPORTS THAT FRANCE AND POLAND HAVE NEGOTIATED A CREDIT AGREEMENT WITH AN INTEREST RATE BELOW THE 7.5 PERCENT LEVEL. ECONOMICS MINISTRY IS ALSO SUSPICIOUS OF POLISH/FRENCH POSITION SINCE THEY HAVE HEARD RUMORS INDICATING 1.6 BILLION DM CHEMICAL CONTRACT WENT TO A FRENCH FIRM AFTER VISIT BY FRENCH FINANCE MINISTER TO WARSAW TO DISCUSS CREDIT QUESTION.

3. NEXT STEP IN FRG/POLISH RELATIONS APPARENTLY WILL BE PRELIMINARY NEGOTIATIONS ON AN ADDITIONAL COOPERATION AGREEMENT PATTERNED AFTER THE FIVE-YEAR COOPERATION AGREEMENT BETWEEN FRANCE AND POLAND. TALKS WILL BEGIN IN EARLY JULY IN WARSAW. GERMANY IS NOT THE LEAST BIT INTERESTED IN NEGOTIATING ANOTHER AGREEMENT WITH POLAND, SINCE THEY BELIEVE THAT THE PRESENT ONE IS SUFFICIENT, BUT THEY HAVE BEEN PRESSED BY THE POLES TO FOLLOW THE FRENCH LEAD IN THIS REGARD. MFA SOURCE SAID THAT FRG WILL AIM FOR A TEN-YEAR COOPERATION AGREEMENT SINCE THEY VIEW FIVE YEARS AS INSUFFICIENT FOR LAUNCHING REAL COOPERATIVE PROGRAMS. IF PRELIMINARY NEGOTIATIONS ARE SUCCESSFUL, POLISH DELEGATION WOULD COME TO BONN IN LATE AUGUST OR SEPTEMBER TO SIGN ACCORD.

4. NEGOTIATIONS ON THE EXPLOITATION OF POLISH COAL RESERVES HAVE MADE LITTLE PROGRESS, WITH MFA SOURCE EXPECTING NO FURTHER DISCUSSIONS UNTIL FALL. POLES, WHO ARE STRAPPED FOR HARD CURRENCY, WANT TO TIE GERMAN EQUIPMENT PURCHASES TO DELIVERY OF COAL. IN ADDITION, THEY ARE PUSHING FOR A GUARANTEED QUANTITY OF COAL EXPORTS TO THE FRG EACH YEAR. THE FEDERAL REPUBLIC, WHICH HAS QUOTAS ON NON-EC COAL IMPORTS, IS NOT IN A POSITION TO GUARANTEE A SPECIFIC QUANTITY OVER A LONG PERIOD OF TIME, ESPECIALLY SINCE POLAND IS ALREADY GERMANY'S CHIEF FOREIGN SUPPLIER OF COAL.
HILLENBRAND

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